

# **Report of the auditor-general to the Western Cape Provincial Parliament and the council on the Cape Agulhas Municipality**

## **Report on the consolidated and separate financial statements**

### **Introduction**

1. I have audited the consolidated and separate financial statements of the Cape Agulhas Municipality set out on pages 3 to 77, which comprise the consolidated and separate statement of financial position as at 30 June 2015, the consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets, consolidated and separate cash flow statement and consolidated and separate statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Cape Agulhas municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Significant uncertainties**

8. As disclosed on note 58 to the consolidated and separate financial statements, the municipality is at risk for the payment of claims relating to contractual disputes from third parties. The amounts in this regard were uncertain at year-end and no provision for any liability that may result has been made in the financial statements.

## **Restatement of corresponding figures**

9. As disclosed in note 43 to the consolidated and separate financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered during 2014-15 in the consolidated and separate financial statements of the Cape Agulhas Municipality at, and for the year ended, 30 June 2014.

## **Material impairments**

10. As disclosed in note 20 and 21 to the consolidated and separate financial statements the municipality has provided impairment of receivables from exchange transactions and receivables from non-exchange transactions of R6,2 million (2013-14: R7,7 million) and R5,1 million (2013-14 : R2,9 million) respectively.

## **Additional matters**

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Unaudited supplementary schedules**

12. The supplementary information set out on pages 74 to 84 does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.



## Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and accordingly I do not express an opinion thereon.

## Material inconsistencies in other information included in the annual report

14. The draft annual report has been received and no material inconsistencies with the financial statements have been found. The final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

## Report on other legal and regulatory requirements

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for
16. Selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## **Predetermined objectives**

17. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2015:
  - Strategic Objective 3.5.2 a: Development and regular maintenance of bulk infrastructure such as roads, storm water networks, potable water networks, waste water treatment plants, land and integrated human settlements pages 74 to 76.
  - Strategic Objective 3.5.2 d: Provision of quality basic services such as water, electricity, refuse removal and sanitation pages 78 to 79.
  - Strategic Objective 3.5.2 f: To facilitate the holistic development of people, expand the safety net for vulnerable groups and implement sustainable programmes to improve their livelihoods pages 80 to 82.
18. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

19. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
21. I did not identify any material findings on the usefulness and reliability of the reported performance information for all the selected objectives:

## **Additional matters**

22. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

### Achievement of planned targets

23. Refer to the annual performance report on pages 76 to 78, 80 to 82 and 83 to 85 for information on the achievement of the planned targets for the year.

### Unaudited supplementary information

24. The supplementary information set out on pages 67 to 74, 77 to 79 and 83 to 172 does not form part of the annual performance report and is presented as additional information. I have not audited schedules and, accordingly, I do not report thereon.

## **Compliance with legislation**

25. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

## **Internal control**

26. I considered internal control relevant to my audit of the consolidated and separate financial statements, the annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

## The Southernmost Development Agency (SOC) Limited

27. There were no matters to report in respect of performance against predetermined objectives, compliance with laws and regulations and internal control as the entity was not operational during the year under review. The council is in the process of deregistering the entity.

*Auditor - General*

Cape Town

30 November 2015



AUDITOR - GENERAL  
SOUTH AFRICA

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